

FISCAL NOTE

Bill #: SB0481

Title: Eliminate reduced tax rate for ethanol

Primary Sponsor: Black, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
-------------------	------	---------------------------------	------

Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
State Special Revenue	\$0	\$0
Revenue:		
State Special Revenue	\$0	\$1,053,524
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The contingencies set out in statute, by HB 644 of the 57th Legislature, are anticipated to be met in FY 2005 and the 15 percent motor fuel tax reductions for gasohol and bio-diesel will take effect.
2. There were 16,963,555 gallons of gasohol voluntarily reported to the department for FY 2002. The immediate revenue gain from the elimination of the reduced tax rate would be \$687,024 per year.
3. For four months (Nov. 1 – Feb 28) each year, the City of Missoula is required to use oxygenated fuel. The oxygenated fuel requirement is a minimum blend of 7.8 percent ethanol blended with gasoline. In addition to the gasohol reported to the department, the City of Missoula consumes approximately 9,000,000 gallons of oxygenated fuel in these four months. Assuming the blend would be increased to attain a 10 percent blend, the loss of motor fuel revenue would be \$364,500 for those four months.
4. The department is not aware of any large quantities (more than 50,000 gallons per year) of bio-diesel presently being sold in the state. The resulting revenue loss from a 15 percent motor fuel rate reduction would be approximately \$2,000 per year.
5. Under present law, the total motor fuel revenue loss resulting from the 15 percent motor fuel rate reduction would be \$1,053,524 (\$687,024 + \$364,500 + \$2,000). If SB 481 eliminating the reduced tax rate is passed and approved, this revenue would be restored to the Highway State Special Revenue fund.

Fiscal Note Request SB0481, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)	\$0	\$1,053,524
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)	\$0	\$1,053,524

LONG-RANGE IMPACTS:

Under current law, the decreased motor fuel tax rate is only in effect for four years after the contingency is met. The savings would continue through FY 2008 (four year after the contingency would be met). After FY 2008, the department would receive the normal tax rate.